

**EXHIBIT 15**  
[UNREDACTED VERSION OF  
DOCUMENT SOUGHT TO BE SEALED]

# Failure Rate Assumptions for GoFlex Turbo

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Using materials from the CTS Reporting & Analysis Team (Harrie Netel)

# Background

- Goal: Estimate a 2-year return rate and failure rate of the future Content-Protected GoFlex Turbo SBS product
  - Inside: 7200 rpm Holiday 500 GB, SBS
  - Major customer: BestBuy
- Will analyze both the Holiday HDD itself and the Portable USB /Desktop USB offerings
  - Conversion from the Return Rate to Failure Rate:
    - $FR = K * RR$  (where K is a % of NTFs from the failure pareto)

# Retail – Portable USB Drives – Dashboard

## Portable USB

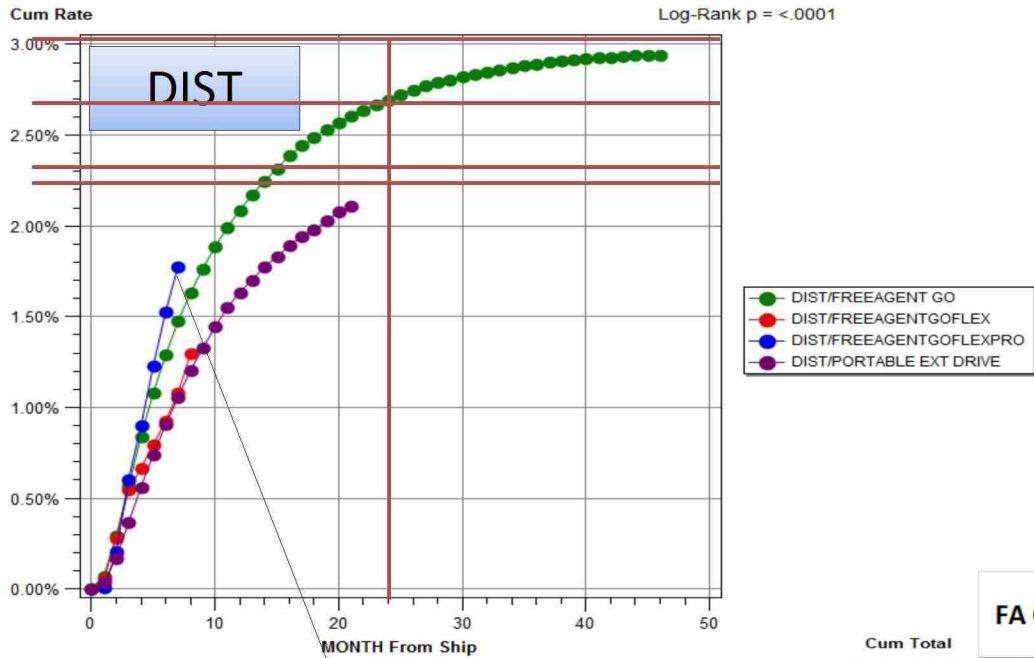
Product	Cust	Comparison to Previous Products	3 yr Return Rate vs Phase 0 Spec	Return Rate Trends	SPC Triggers	Social Media
FA GoFlexPro	DIST	🟡 Worst in Group, low ship volume #4	Not enough data points	🟡 May-2010 vintage spike (high returns from Best Buy)	Not enough data points	
FA GoFlex	DIST	🟢 Equal to Portable EXT #1,2	Not enough data points	🟡 May-2010 vintage spike (high returns from Best Buy)	🟡 Best Buy, 1TB, 750GB	
FA Go	DIST	🟡 Worse than FA GoFlex and Portable EXT #3	🟡 0.17% over spec	🟡 Early vintage spike, declining then slight EOL increase	🟡 Recent vintage, 880GB and 1TB, Best Buy	
Portable EXT	DIST	🟢 Equal to FA GoFlex #1,2	🟡 1.01% over spec	🟡 Increasing trend Jun/Jul-2010	🔴 750GB and 1TB, Target and Synnex	

# FREEAGENTGOFLEXPRO - Product Comparison

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TOTAL > 5000



FreeAgentGoFlexPro performing worst on low ship volume

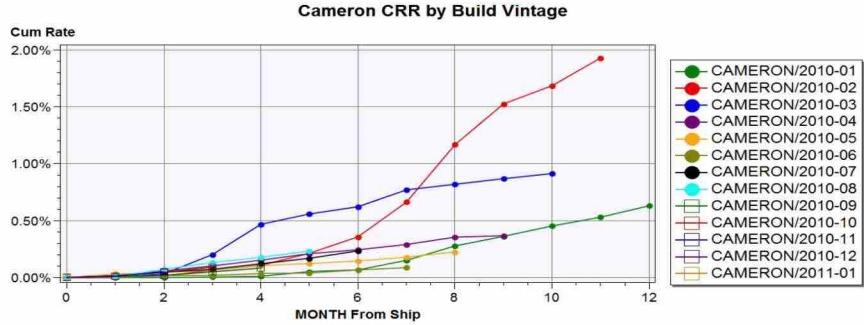
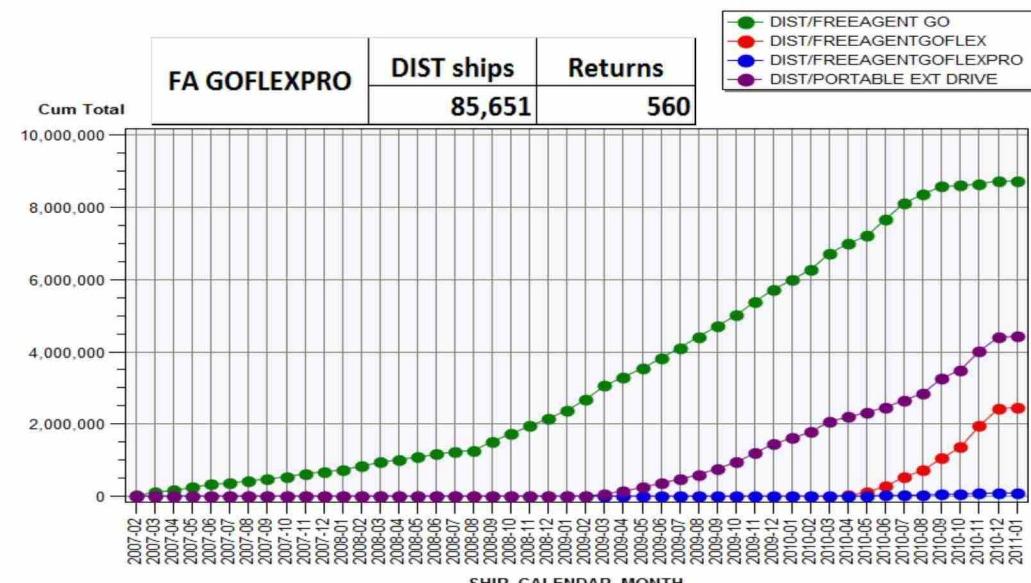
Projected 2-y RR:

FreeAgent Go = 2.7%

FreeAgent GoFlex = 2.4%

FreeAgent GoFlexPro <3%

Portable External Drive <2.3%



Aggregate Confidential

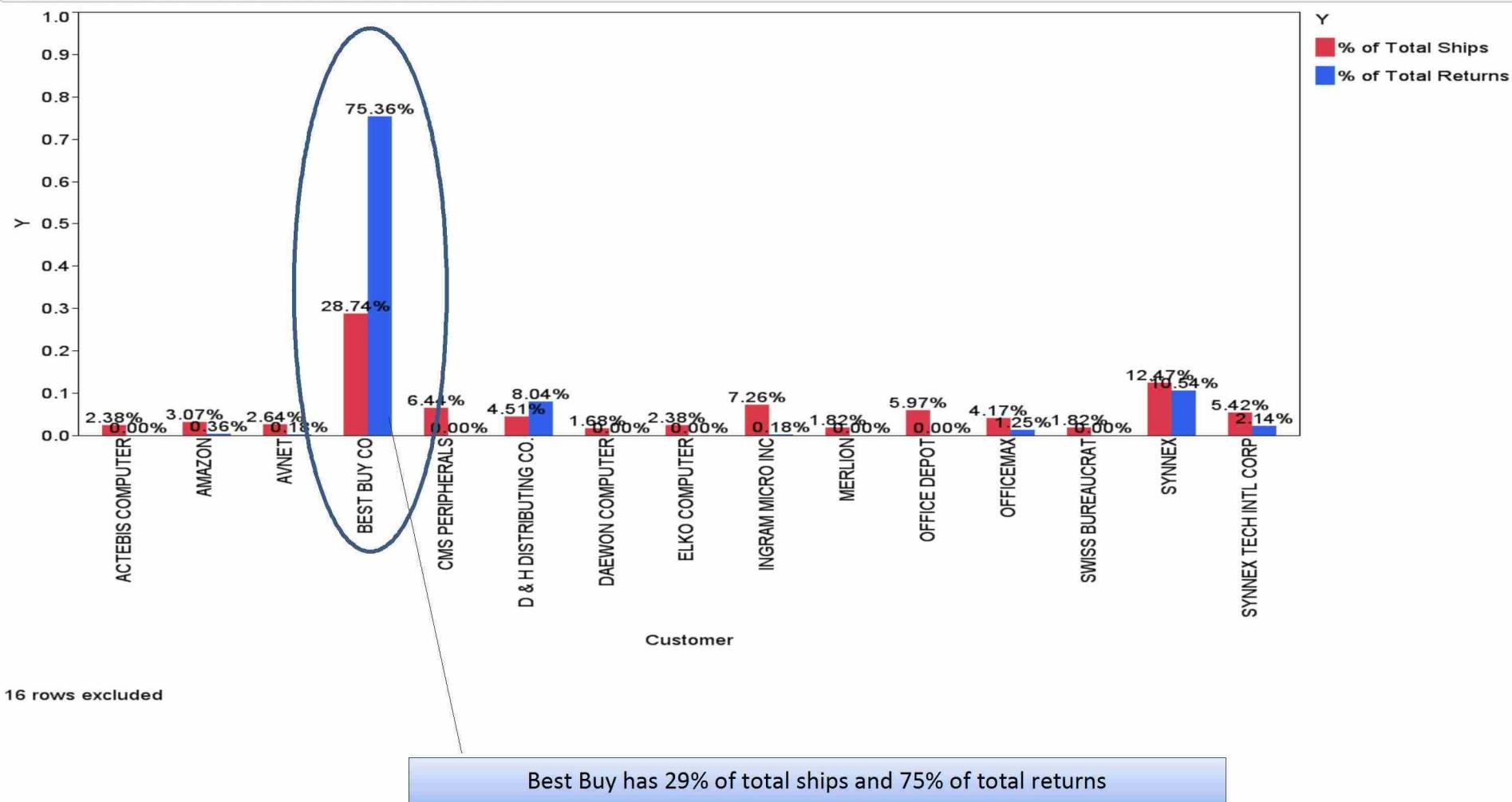
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# FREEAGENTGOFLEXPRO – Top 15 Ship Vol by Customer



Chart Product=FREEAGENTGOFLEXPRO



16 rows excluded

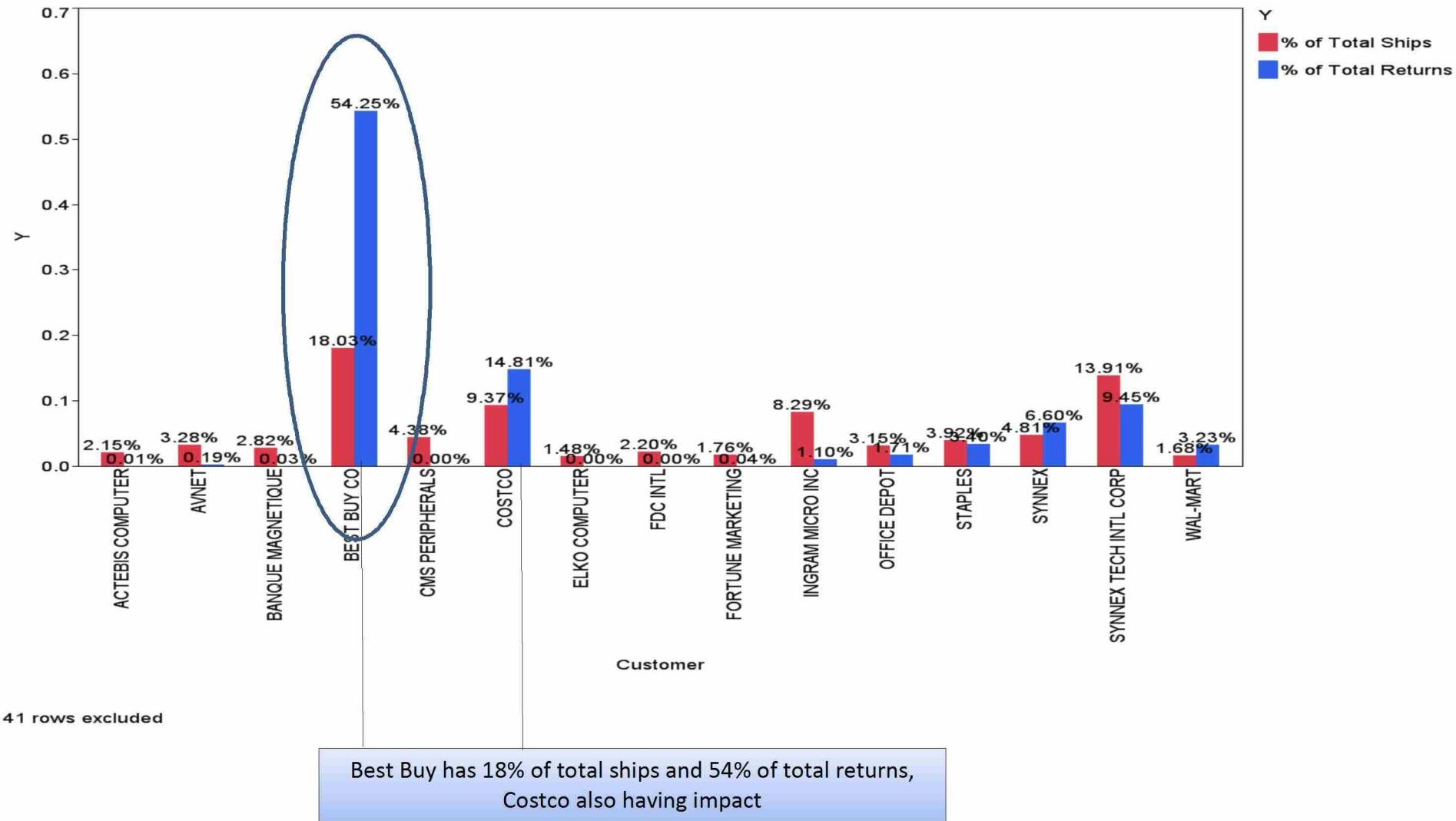
## FREEAGENTGOFLEX – Top 15 Ship Vol by

## Customer



FYI only

Chart Product=FREEAGENTGOFLEX



41 rows excluded

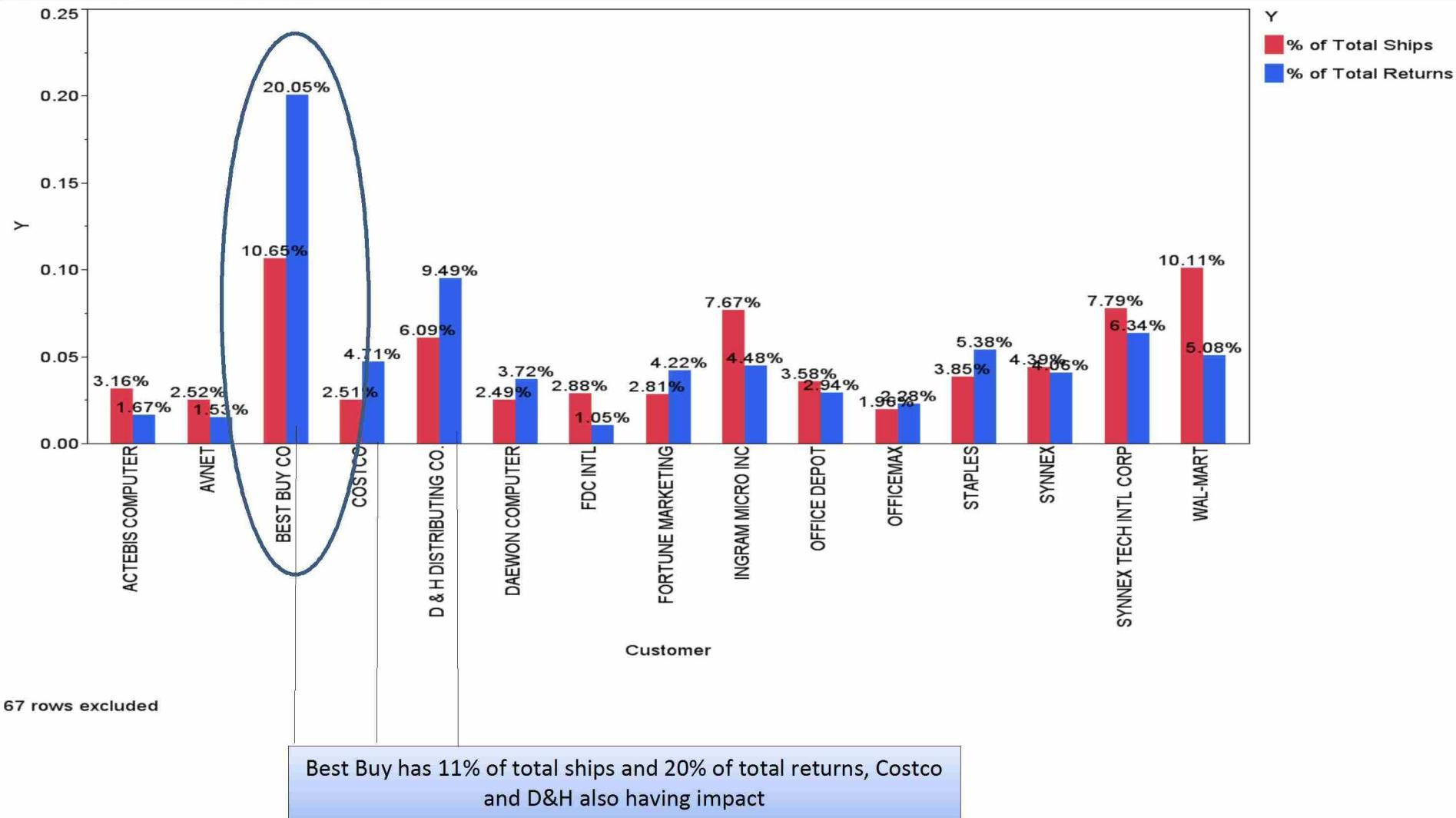
## FREEAGENT GO – Top 15 Ship Vol by

## Customer



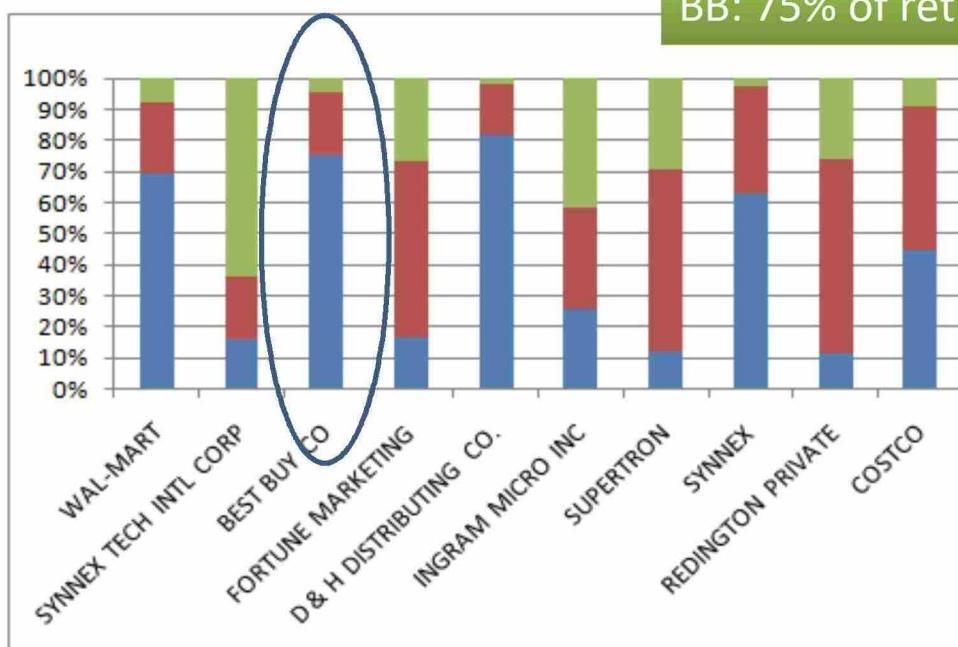
FYI only

Chart Product=FREEAGENT GO



## FreeAgent Go

BB: 75% of returns are NTFs



PRODUCT\_MARKETING\_NAN FREEAGENT GO

Count of PARENT\_DRIVE\_SE SBS High Level Pareto

CUR_CORP_DESC_1 <input checked="" type="checkbox"/>	NTF	DNR	Failure - Test	Grand Total
WAL-MART	185	62	20	267
SYNTEX TECH INTL CORP	30	37	120	187
BEST BUY CO	110	29	7	146
FORTUNE MARKETING	21	72	34	127
D & H DISTRIBUTING CO.	81	16	2	99
INGRAM MICRO INC	24	31	39	94
SUPERTRON	9	44	22	75
SYNTEX	44	24	2	70
REDINGTON PRIVATE	7	38	16	61
COSTCO	25	26	5	56
Grand Total	536	379	267	1182

Sample Data  
Approximately 3 days of FRIT  
data used for "Proof of  
Concept"

# Summary for Portable USB

- Average 2-year return rate 2.6%
  - Max 2-year return rate <3%
- BestBuy seem to have 2x to 3x higher return rate than average
  - Therefore, expect the worst 2-y return rate from BB to be  $3 \times 2.6\% = 7.8\%$
- However, the real failure rate for BB returns is about 25%
  - Therefore, expect the worst 2-y failure rate from BB to be  $0.25 \times 7.8\% = \textcolor{red}{1.95\%}$

# Statistical Summary

Product	Category	2-year return rate, %	2-year failure rate, %
FA GoFlexPro	Portable USB drives	2.7	1.35
FA GoFlex	Portable USB drives	2.4	1.2
FA GoFlex Pro	Portable USB drives	3	1.5
Portable External Drive	Portable USB drives	2.3	1.15
FA Desktop	Desktop USB drives	4.3	<b>2.15</b>
FA GoFlex Desk	Desktop USB drives	3.6	1.8
Desktop external HDD	Desktop USB drives	3.1	1.55

Converting RR to FR using another assumption of 50% NTF rate

# CPP Model for BestBuy

Used the highest  
2-y FR% in SBS  
products  
documented

Units	500,000	
Premium/Unit	\$15.00	
Premium	\$7,500,000	
Retailer Margin	35%	
"Natural profit" per HDD, \$	\$ -	
"Natural profit" from all sales	\$ -	
Seagate Incremental Revenue	\$4,875,000	
<b>Scenario 2</b>		
5.0% CPP Claim Rate	25,000	
2.15%FR, %	10,750	
57% Internet Recovery	14,250	
10%In-lab write-off rate	1,075	
43% Lab Recovery	9,675	
10%IT recovery rejects	1,425	
90%Total IT successful cases	12,825	
44%Lab Recovery + IT rejects	11,100	
70%Total Lab successful cases	7,770	
82%Total successful cases	20,595	
0.88%Units sold but not recovered	4,405	
Cost to Retail		
Internet Recovery	\$40.0	
Lab Recovery	\$473	
Average cost	\$203	
Retail Cost for Recoveries		
Internet Recovery	\$513,000	
Lab Recovery	\$3,671,325	
SRS revenue	\$4,184,325	
SRS Cost for Recoveries		
Internet Recovery	\$30	
Lab Recovery	\$350	
Cost of SRS Recoveries		
Internet Recovery	\$427,500	
Lab Recovery	\$2,719,500	
Total SRS cost	\$3,147,000	
Retail Profit	\$690,675	14.17%
SRS Profit	\$1,037,325	24.79%
50%/50% Profit split	\$864,000	19.48%
Seagate Profit	\$1,728,000	19%

Good  
profitability for  
STX

# Summary

- Estimated/measured 2-year return rates for SBS products ranges from **2.3% to 3%**
  - Estimated 2-year return rate from BB could be as high as 7.8% (3x average of 2.6%)
  - Close to 75% of this returns are NTFs
  - The above numbers for BB are highly skewed by the BB return policy + buyer's remorse AND provide poor guidance for the DR return rate
- Estimated/measured 2-year failure rates for SBS products ranges from **1.2% to 2.15%**
  - Estimated 2-year failure rate for BB is close to 2% (**1.95%**)